



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2706
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
ACTING AUDITOR-CONTROLLER

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
MARIA M. OMS

January 8, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy L. Watanabe*
Acting Auditor-Controller

SUBJECT: **CITY OF PALMDALE CONTRACT – A COMMUNITY AND SENIOR
SERVICES WORKFORCE INVESTMENT ACT PROGRAM PROVIDER –
FY 2007-08**

We completed a program, fiscal and administrative contract compliance review of City of Palmdale (Palmdale or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

Background

CSS contracts with Palmdale, a government organization to provide and operate the WIA Adult and Dislocated Worker Programs in the Fifth District. The WIA Adult and Dislocated Worker Programs assist individuals obtain employment, retain their jobs and increase their earnings. Palmdale subcontracted with Goodwill Industries of Southern California (Goodwill) to provide direct program services. CSS paid Palmdale \$295,573, of which the entire amount was paid to Goodwill for Fiscal Year 2007-08.

Purpose/Methodology

The purpose of the review was to determine whether Palmdale appropriately monitored Goodwill to ensure that Goodwill complied with the contract terms. We also evaluated Palmdale's compliance with WIA and County contract requirements.

Results of Review

Palmdale did not implement five (45%) of the 11 recommendations contained in our prior year's monitoring report, which included repaying CSS \$10,606. In addition, Palmdale did not:

- Obtain at least 85% of their planned performance outcomes as required by the County contract for the WIA Adult Program. Palmdale placed 75% of the participants planned placements and it is 10% less than their planned performance outcomes.
- Obtain the required level of insurance coverage or name the County as additionally insured, as required by the County contract. Subsequent to our review, Palmdale obtained the required level of insurance coverage but did not name the County as additionally insured.
- Maintain a complete and accurate equipment and fixed asset listing.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with Palmdale, Goodwill and CSS on September 16, 2008. In their attached response, Palmdale concurred with our findings and recommendations.

We thank Palmdale for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

JTM:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Stephen H. Williams, City Manager, City of Palmdale
James C. Ledford, Jr., Mayor, City of Palmdale
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
CITY OF PALMDALE
FISCAL YEAR 2007-08**

ELIGIBILITY

Objective

Determine whether the City of Palmdale (Palmdale or Agency) effectively monitored Goodwill Industries of Southern California (Goodwill) to ensure that program services were provided to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for 20 (44%) participants (10 adults and 10 dislocated workers) from a total of 45 participants that received services between July 2007 and March 2008 for documentation to confirm their eligibility for WIA program services. In addition, since Community and Senior Services (CSS) also contracted with Goodwill to provide WIA services in the First and Fifth Districts, we verified that the participants served under the Palmdale contract did not receive the same program services under the Goodwill contract.

Results

All 20 participants sampled met the eligibility requirements for the WIA programs.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether Palmdale effectively monitored Goodwill to ensure the subcontractor provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 20 (44%) participants that received services from July 2007 through March 2008. We also interviewed 11 participants.

Results

The 11 participants interviewed stated that the services they received met their expectations. However, Goodwill did not accurately report the participants' program activities on the Job Training Automation (JTA) system for one (5%) of the 20 participants sampled. Specifically, Goodwill reported that supportive services were provided to the participant. However, the participant's case file indicated that supportive services were not provided to the participant. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities. This finding was also noted during the prior year's monitoring review.

Subsequent to our review, Goodwill updated the JTA system to accurately reflect the participants' program activities.

Recommendation

1. Palmdale management ensure that Goodwill accurately update the JTA system to reflect the participants' program activities.

PERFORMANCE OUTCOMES**Objective**

Determine whether Palmdale met the planned performance measures as outlined in the County contract and accurately reported the performance outcomes to the Workforce Investment Board (WIB). The performance outcomes included measuring the number of participants that enrolled in the program, exited the program, completed training and/or gained employment.

Verification

We compared the reported FY 2007-08 actual performance outcomes to the planned performance measures outlined in the County contract and to the program activities reported on the JTA system.

Results

Palmdale met the planned performance measures as outlined in the County contract for the WIA Dislocated Worker program. However, Palmdale did not obtain at least 85% of their planned performance outcomes as required by the County contract for the WIA Adult program. Palmdale placed 75% of the participants planned placements or 10% less than their planned performance outcomes.

Recommendation

2. Palmdale management ensure that planned performance outcomes are met as required by the County contract.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's January 2008 bank reconciliation.

Results

Palmdale maintained adequate controls to ensure that revenues were properly recorded and deposited in a timely manner.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures were allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 15 non-payroll expenditures transactions billed by Palmdale's sub-contractor, Goodwill, for July and September 2007, totaling \$6,820.

Results

Generally, Goodwill's expenditures were allowable, properly documented and accurately billed.

Recommendation

There are no recommendations for this section.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency maintained sufficient controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Generally, Palmdale maintained sufficient internal controls over its business operations. However, Palmdale did not carry the required level of insurance coverage. Specifically, Palmdale did not obtain crime coverage and professional liability insurance, and the general liability insurance limit was \$1 million in general aggregate. The County contract requires general liability insurance with limits of not less than \$2 million in general aggregate. In addition, Palmdale did not name the County as additionally insured as required by the County contract.

Subsequent to our review, Palmdale obtained the required level of insurance coverage but did not name the County as additionally insured.

Recommendation

3. Palmdale management maintain the required level of insurance coverage and name the County as additionally insured as required by the County contract.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether Palmdale's fixed assets and equipment purchases made with WIA funds are used for the WIA programs and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we performed an inventory and reviewed the usage of 12 items purchased with WIA funds.

Results

Palmdale used the equipment purchased with WIA funding for the WIA programs. However, Palmdale's inventory listing was incomplete and inaccurate. Specifically:

- Palmdale's inventory listing for FY 2007-08 identified 115 items as being funded by WIA funds. According to Palmdale management, all the items listed on the Agency's inventory listing, with one exception, were transferred from Goodwill. However, based on CSS records, only 34 items were transferred from Goodwill.
- Palmdale's FY 2007-08 inventory listing included two different items with the same County tag number and identified a Canon Copier as a WIA funded property when, according to Palmdale management, it was funded by the Agency's general fund.

In addition, Palmdale's FY 2007-08 inventory listing did not contain all the required information, such as cost of the property, County tag numbers, dates of acquisition, condition, percentage of Federal participation and/or the purchase order numbers as required by federal regulations. Palmdale's management indicated that the inventory listing was incomplete because the items were transferred and the purchase records were not provided by Goodwill.

Recommendation

4. **Palmdale management ensure that the Agency's equipment inventory listing is complete, accurate and contains all the required information.**

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the WIA programs. In addition, determine whether personnel files are maintained as required.

Palmdale sub-contracted with Goodwill to provide WIA program services. As a result, Goodwill incurred the programs' payroll expenditure for FY 2007-08.

Verification

We traced the payroll expenditures invoiced by Goodwill for five employees totaling \$28,888 for September 2007 to Goodwill's payroll records and time reports. We also

interviewed one of Goodwill's employees and reviewed the personnel files for four employees assigned to the WIA programs.

Results

Goodwill appropriately charged payroll expenditures to the WIA Programs and the personnel files were maintained as required.

Recommendation

There are no recommendations for this section.

COST ALLOCATION PLAN

Objective

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Palmdale sub-contracted with Goodwill to provide WIA program services. As a result, Goodwill incurred the programs' expenditures for FY 2007-08.

Verification

We reviewed both Palmdale and Goodwill's Cost Allocation Plans and a sample of expenditures incurred by Goodwill in July and September 2007 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

Generally, Palmdale and Goodwill's Cost Allocation Plans were prepared in compliance with the County contract and costs were appropriately allocated.

Recommendation

There are no recommendations for this section.

CLOSE-OUT REVIEW

Objective

Determine whether Palmdale's FY 2006-07 final close-out invoice for the WIA Adult and Dislocated Worker programs reconciled to the Goodwill's financial accounting records.

Verification

We traced Goodwill's FY 2006-07 general ledgers to the Agency's final close-out invoice for FY 2006-07. We also reviewed a sample of expenditures incurred in April, May and June 2007.

Results

Goodwill's FY 2006-07 general ledgers reconciled to the Agency's final close-out invoice for FY 2006-07.

Recommendation

There are no recommendations for this section.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2006-07 monitoring review were implemented. The report was issued on December 4, 2007.

Results

The prior year's monitoring report contained 11 recommendations. Palmdale implemented six recommendations. As previously indicated, the finding related to recommendation 1 contained in this report was also noted during the prior year's monitoring review. The remaining four recommendations required the Agency to:

- Follow up with Goodwill to resolve \$47,558 in questioned costs. As of July 2008, Palmdale had resolved \$37,004 of the questioned costs. Palmdale needs to collect the remaining \$10,554 (\$47,558 - \$37,004) from Goodwill and repay CSS.
- Review Goodwill's prior year allocations to determine amounts over-allocated and repay CSS.
- Implement the outstanding recommendations from FY 2005-06 monitoring report, which required Palmdale to repay CSS \$52.

Subsequent to our review, Palmdale repaid CSS \$291 of the questioned costs.

Recommendations**Palmdale management:**

5. Immediately collect \$10,315 ($\$10,554 + \$52 - \291) from Goodwill and repay CSS.
6. Implement the outstanding recommendations from FY 2006-07 monitoring report.



PALMDALE
a place to call home

October 30, 2008

JAMES C. LEDEWILL, Jr.
Mayor

S. CHRIS RICHIE
Mayor Pro Tem

ALVIN DUSTELZA
Councilmember

STEVEN D. HOBBAKER
Councilmember

TONY LACKEY
Councilmember

Ms. Wendy L. Watanabe
Acting Auditor Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
100 S. Freemont Avenue
Unit #51
Alhambra, California 91803
Attention: Yoon Bae

Dear Ms. Watanabe:

38301 Sierra Highway
Palmdale, CA 93550-4700

Tel: 661/267-5100

Fax: 661/267-5122

DDD: 661/267-5167

Thank you for this opportunity to respond to the results of the exit interview conducted by Ms. Yoon Bae on September 16th of this year. We appreciate Ms. Bae's willingness to work with us during a trying transition period for us. Listed below are your recommendations along with the City's corresponding responses.

Finding Number 1 – Palmdale management ensure that Goodwill accurately update the JTA system to reflect the program activities.

Response: The City of Palmdale has contracted with SBL Accountancy to provide monitoring services for the South Valley WorkSource Center. SBL will review and report to the City on contract, fiscal and programming compliance

Finding Number 2 – Palmdale management ensure that planned performance outcomes are met as required by the County contract.

Response: While we are happy to have met the 75% level of outcomes, the City will continue to work with Goodwill of Southern California to meet the desired goal of 85% placement. Palmdale staff will meet with Goodwill on a quarterly basis to ascertain how Goodwill is progressing with the performance outcomes

Finding Number 3 – Palmdale management maintain the required level of insurance coverage and name the County as the additionally insured as required by the County contract.

Palmdale has provided for

comprehensive coverage for

per the law, contract and agreement.

www.cityofpalmdale.org

Ms. Wendy L. Watanabe
Auditor Controller Department
October 30, 2008

Response: The City of Palmdale will continue to provide the required amount of insurance pursuant to the Contract. Copies of the latest certificates were given to Ms. Bae at our meeting. Additionally, we make sure the County of Los Angeles is listed as an additional insured.

Finding Number 4 – Palmdale management ensure that the Agency's equipment inventory listing is complete, accurate and contains all required information.

Response: Palmdale will continue to ensure that the Agency's equipment inventory listing is complete, accurate and contains all required information. The updated list is available at the request of Los Angeles County.

Finding Number Finding Number 5 – Palmdale management will immediately collect \$10,315 (\$10,606-\$291) from Goodwill and repay CSS.


Response: The City of Palmdale has obtained the necessary supporting documentation from Goodwill regarding this finding. The City has reviewed the documentation. Based upon this review, the City agrees that \$2,616.96 (\$436.58 + \$2,180.38) of the \$10,315 needs to be repaid to CSS. Within 90 days from the date of this the City will invoice Goodwill and send this amount to CSS.

Finding Number Finding Number 6 – Palmdale management will implement the outstanding recommendations from FY 2006-07 monitoring report.

Response: Palmdale has heretofore addressed the concerns brought up by the Auditor-Controller. Several of the concerns we have addressed this year were also listed this year on the report. By addressing these issues this year, we will have effectively addressed all the outstanding issues.

Thank you for this opportunity to respond to the draft report. If you have any questions, please call David Walter of my staff at (661) 267-5125.

Sincerely,



Stephen H. Williams
City Manager